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July 16 2009

VIA HAND DELIVERY

Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
PO Drawer 11649
Columbia, SC 29211

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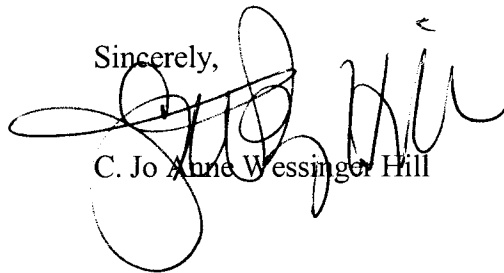
Re: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas, Inc., New Communications Online And Long Distance LLC and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certifications
Docket No. 2009-220-C

Dear Mr. Terreni:

On behalf of Frontier Communications Corporation, enclosed please find the original and one copy of direct testimony in connection with the above matter. Please return a clocked copy to my courier.

If you should have any questions, please do not hesitate to contact me.

Sincerely,



C. Jo Anne Wessinger Hill

JWH/kjt

Enclosures

cc: Stan Bugner
De O'Roark, Esq.
Kevin Saville, Esq.
Nanette S. Edwards
C. Dukes Scott
Terrance A. Spann
M John Bowen, Jr.
Margaret M. Fox
Sue-Ann Gerald Shannon

STATE OF SOUTH CAROLINA

(Caption of Case)

Joint Application of Frontier Communications
Corporation, New Communications of the Carolinas,
Inc., New CommunicationsOnline, and Long
Distance LLC and Verizon Enterprise Solutions LLC
for Approval of the Sale of Assets and the Transfer of
Authority and Certificates

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2009 - 220 - C

(Please type or print)

Submitted by: Steven W. Hamm, Esq.SC Bar Number: 2634Telephone: 803-771-4400Fax: 803-779-0016Other: 803-256-5250Address: Richardson Plowden & Robinson PAPO Drawer 7788Columbia SC 29202Email: shamm@richardsonplowden.com

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☒ Other: Direct Testimony of Daniel McCarthy

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input checked="" type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
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<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-220-C



IN RE: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas, Inc., New Communications Online, and Long Distance, LLC, and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certificates

DIRECT TESTIMONY OF
DANIEL MCCARTHY

1

2 **I. INTRODUCTION**

3 **Q. Please state your name, title and business address.**

4 A. My name is Daniel McCarthy. I am Executive Vice President and Chief Operating
5 Officer of Frontier Communications Corporation. My business address is 3 High Ridge
6 Park, Stamford Connecticut, 06905.

7

8 **Q. Please state your educational background and experience.**

9 A. I hold a Bachelors degree in Marine Engineering fro New York Maritime College in Fort
10 Schuyler, N.Y. and an MBA from the University of Phoenix.

11

12 **Q. Please provide a brief history of your employment and current responsibilities at**
13 **Frontier.**

1 A. I have been with Frontier Communications and its predecessor companies¹ since
2 1990. I originally joined the company's Kauai, Hawaii electric division and then
3 in 1995, I assumed responsibility for Citizens' energy operations in Flagstaff,
4 Arizona. I was Vice President, Citizens Arizona Energy from April 1998 to
5 March 2001. From March 2001 to November 2001, I was Vice President and
6 Chief Operating Officer of Citizens Public Services sector, responsible for the
7 company's energy and water operations. I was President and Chief Operating
8 Officer, Public Services Sector from November 2001 to January 2002. From
9 January 2002 to December 2004, I held the position of Senior Vice President,
10 Broadband Operations of Frontier and was President and Chief Operating Officer
11 of our former Competitive Local Exchange Carrier (CLEC) affiliate, Electric
12 Lightwave located in Vancouver, Washington.² I was Senior Vice President,
13 Field Operations for Frontier from December 2004 to December 2005. I was
14 named Executive Vice President and Chief Operating Officer of Frontier
15 Communications on January 1, 2006.

16
17 **Q. What are your duties as Chief Operating Officer of Frontier?**

18 A. As Chief Operating Officer, I am responsible for Frontier's operations including
19 engineering, network operations, installation and maintenance and customer
20 service in the twenty-four (24) states where Frontier currently operates. I am

¹ In 2008, the Company changed its name from Citizens Communications Company to Frontier Communications Corporation. In 2000, the Company changed its name from Citizens Utilities Company to Citizens Communications Company to reflect the fact that the Company was divesting its non-communications utility operations and focusing its operations on communications services.

1 responsible for reviewing Frontier's investments and expenses for both facilities
2 and operations, and closely monitor the Company's revenues and profitability.
3 Each of Frontier's three Regional Senior Vice Presidents and General Managers
4 (East, Central, and West regions) report to me. In my present position, I am also
5 responsible for all of Frontier's regulatory affairs and compliance requirements at
6 the federal, state, and local levels.
7

8 **Q. Please summarize the purpose of your testimony?**

9 A. My testimony will address the following areas and topics:

- 10 • An overview of Frontier Communications and its experience in providing
11 high quality telecommunications services in twenty-four (24) states;
- 12 • An overview of the telecommunications industry today and my opinions
13 regarding changes confronting the industry in the next several years;
- 14 • A summary of Frontier's proposed transaction with Verizon and an
15 explanation of Frontier's financial soundness following the transaction;
- 16 • An explanation of why the proposed transaction is in the public interest
17 and will result in tangible benefits; and
- 18 • An overview of the Frontier organizational structure following the
19 completion of the transaction, including Frontier's plans for the acquired
20 operations following the closing.
21

² On July 31, 2006, Frontier completed the sale of its CLEC affiliate Electric Lightwave LLC.

1 **II. OVERVIEW OF FRONTIER**

2 **Q. Please provide background on Frontier Communications Corporation.**

3 A. Frontier Communications Corporation (“Frontier”), a publicly traded Delaware
4 company (NYSE: FTR), is a highly regarded, full-service communications service
5 provider and is currently one of the largest local exchange telephone companies in
6 the country. Frontier was originally incorporated in November 1935.

7 Frontier offers telephone, television, and Internet services, as well as
8 bundled offerings, wireless internet data access, data security solutions, and
9 specialized bundles for small/medium/large businesses and home offices to
10 customers in twenty-four (24) states. Frontier’s current service territories are
11 located in Alabama, Arizona, California, Florida, Georgia, Idaho, Illinois,
12 Indiana, Iowa, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada,
13 New Mexico, New York, Ohio, Oregon, Pennsylvania, Tennessee, Utah, West
14 Virginia, and Wisconsin.

15
16 **Q. Describe the types of areas where Frontier provides service.**

17 A. Frontier provides services predominantly to small and medium-sized rural
18 communities, as well as mid-sized communities and suburban areas such as
19 Rochester, New York, the west and south metropolitan area of Minneapolis/St.
20 Paul, and Elk Grove, California (a suburb of Sacramento). During the last ten
21 years, Frontier has grown to become a substantial presence in the rural local
22 exchange carrier segment of the telecommunications market through the targeted

1 acquisition of rural companies, and the successful integration of operations and
2 support functions. During this time frame, Frontier has effectively and efficiently
3 grown its operations three-fold.

4
5 **Q. Summarize the types of services provided by Frontier.**

6 A. Frontier is typically the incumbent carrier and provider of last resort in the
7 markets it serves and provides the "last mile" of telecommunications services to
8 residential and business customers in these places. We believe that the key to
9 Frontier's continued success is focus on its core mission:

10 *...to be the leader in providing communications services to residential and*
11 *business customers in our markets.*

12 Our revenues are principally driven by:

- 13 * local exchange services,
- 14 * network access services,
- 15 * data and Internet services,
- 16 * long distance services, and
- 17 * television services (in conjunction with DISH Network).

18 Frontier's Incumbent Local Exchange Carrier ("ILEC") subsidiaries currently
19 serve approximately 2.8 million voice and broadband connections, including 2.25
20 million telephone access lines in twenty-four (24) states.

1 **Q. Please provide a break down, by state, of the number of telephone access**
2 **lines served by Frontier?**

3 A. The following chart identifies the number of access lines Frontier served as of
4 December 31, 2008, in each state:

Alabama	25,980
Arizona	145,241
California	143,871
Florida	3,746
Georgia	19,167
Idaho	20,035
Illinois	97,461
Indiana	4,647
Iowa	44,891
Michigan	19,102
Minnesota	210,983
Mississippi	5,474
Montana	7,659
Nebraska	43,106
Nevada	23,701
New Mexico	8,001
New York	683,880
Ohio	552
Oregon	12,626
Pennsylvania	427,489
Tennessee	79,014
Utah	21,718
West Virginia	143,982
Wisconsin	62,007
TOTAL Access Lines:	2,254,333

5

6 **Q. Please identify some of the actions Frontier has undertaken to provide**
7 **additional service and value to its existing customers.**

8 A. Frontier has taken significant steps to increase the value delivered to its
9 customers by providing new products and enhancements to its traditional
10 offerings through a strategy of integrating services and through promotional

offerings. Frontier has undertaken extensive customer analysis to create residential and business offerings that provide feature and cost benefits across all socio-economic demographics. These offerings have been successful in our existing markets, and we plan to bring this same level of attention and these options to customers in serving areas being acquired from Verizon. Although some of the services and bundled components are not regulated telephone or telecommunications services, the Commission may be interested in the service options Frontier offers to maximize customer satisfaction and minimize line loss.

Some of the Frontier product offerings include:

Residential Services Options

- Voice only; basic service with or without additional features.
- Digital Phone Essentials – unlimited local calling with one hundred (100) rollover minutes per month of nationwide long distance voice calling.
- Digital Phone State Unlimited – unlimited local calling, Caller ID, Call Waiting and certain other features with unlimited statewide long distance voice calling.
- Digital Phone Unlimited National – unlimited local calling, Caller ID, Call Waiting and certain other features with unlimited nationwide long distance voice calling.
- High-Speed Internet Lite.
- High-Speed Internet Max.
- Television - Digital satellite TV in an agency relationship with DISH Network.

Small Business Service Options

- Voice only or Voice and Internet bundles on one bill at a discounted rate
- Business Essentials - unlimited local calling, Caller ID, Call Waiting and voice mail and one hundred (100) minutes nationwide long distance voice calling.
- Business Metro - unlimited local calling, Caller ID, Call Waiting and other features, business High-Speed Internet with “Frontier Service Connections” security software, wireless router and unlimited statewide long distance voice calling.
- Business Unlimited – unlimited local calling, Caller ID, Call Waiting and certain other features, business High-Speed Internet with “Frontier Service Connections” security software, wireless router and unlimited nationwide long distance voice calling.
- Business High-Speed Internet.
- Television - Digital satellite TV in partnership with DISH Network. All channels are 100% digitally delivered and commercial accounts are available in two categories: public (which include customers that charge an admission or rely on selling food or beverages for immediate consumption as a primary source of revenue) and private (which do not charge as public).

Q. Describe some of the additional features and services Frontier makes available with its High-Speed Internet services.

1 A. Some of the additional features that we provide to our High-Speed Internet
2 customers include:

3 **Frontier Secure Connections**

4 Frontier and Computer Associates (a market leader in PC-based protection) have
5 partnered to provide PC-based security services that include Anti-Virus, Personal
6 Firewall, Pop-Up Blocker, Anti-Spam and Anti-Spyware. The entire security suite
7 of services is made available to residential Frontier High-Speed Internet
8 subscribers and allows customers to manage their networks and protect their PCs
9 against viruses, hacking and other network threats. Frontier Secure Connections
10 security software is available at no additional charge to all Frontier High-Speed
11 Internet residential customers who are currently within at least a one-year term
12 plan and is also available to others for a nominal monthly fee.

13 **Frontier Portal**

- 14 • Search engine from Yahoo ensuring users get comprehensive search results.
- 15 • Content from over seventy-five (75) Content Providers for news, weather, sports,
16 and entertainment, so users can stay current.
- 17 • Personalization of the home page, including layout, background, fonts, colors,
18 pictures, and content so the page looks exactly the way our users want.
- 19 • Tools to help users to lead a more informed, and in some cases, more fun, digital
20 lifestyle (e.g. reminders, dictionaries, and daily diversions)
- 21 • Pop-up ad blocking is available so users can cut through third-party marketing
22 clutter to get to the content they want.

- 1 • Customer privacy tools along with Frontier Secure Connections to ensure users
2 can participate online in a safe environment.

3

4 **Q. Describe Frontier's Peace of Mind service.**

5 A. Frontier's Peace of Mind Service is a service that provides computer backup and
6 restoration services to customers. There are three different tiers of service
7 available to customers:

- 8 • Hard Drive Backup – Unlimited storage for one PC or Laptop, files are
9 encrypted before leaving computer, automatic backup every time a file is
10 added, updated or edited, and remote storage.
- 11 • Hard Drive Backup and Unlimited Tech Support – In addition to the Hard
12 Drive Backup option, this tier includes wireless network set up, diagnostic
13 and repair, printer and most other peripheral setup and troubleshooting,
14 full PC tune-up and security check for PC or laptop using Hard Drive
15 Backup, iTunes installation and training, experienced, US based support
16 staff available to answer questions and provide support.
- 17 • Hard Drive Backup, Unlimited Tech Support and Inside Wire – Available
18 to Frontier local exchange customers only, this bundle adds the additional
19 protection of inside wire repair to Hard Drive Backup and Unlimited Tech
20 Support.

21

1 **III. OVERVIEW OF TELECOMMUNICATIONS INDUSTRY TODAY AND**
2 **THE NEED FOR CARRIERS TO MAKE STRATEGIC CHOICES**

3 **Q. What is your current view of the telecommunications industry and the**
4 **challenges facing ILECs?**

5 A. The telecommunications industry is in the information age —delivering voice,
6 data, and video at ever-increasing speeds and in an increasing number of ways.
7 The ILEC - once the monopoly provider of local voice services - has been facing
8 a growing number of competitors year over year. Competition now comes from
9 many different forms: from wireless providers and cable companies, as well as
10 overbuilders and resellers. Consumers have an expanded view of what
11 telecommunications means, and today cable and satellite make up an increasing
12 portion of the product spectrum.

13 Policymakers who envisioned and encouraged competition in the
14 telecommunications industry should look at the current marketplace as a success.
15 Competition has evolved in areas not originally envisioned; not only in densely
16 populated urban areas but in rural areas as well. Consumers have been the
17 primary beneficiaries of this competition. They have seen a growth in options of
18 service providers, the introduction of new technologies and services, and the
19 ability to purchase their voice, data and video services from a single provider.

20 While this change has generally been good for the industry and for the
21 consumer, it has created challenges to ILECs like Frontier and Verizon that built
22 and invested in telecommunications networks for years before competition,
23 broadband, and Voice Over Internet Protocol were even considerations. ILECs

1 like Frontier and Verizon are faced with growing competition, access line loss and
2 regulatory disparities that make it increasingly challenging to compete on a level
3 playing field. In recent years, Frontier has annual access line losses as high as 7%
4 on a company wide basis and Verizon has recently experienced approximately
5 10% annual loss of its access lines in the service areas Frontier is proposing to
6 acquire.

7 The competition facing ILECs today is not just the small start-up that was
8 so frequently seen immediately following the enactment of the 1996
9 Telecommunications Act. Today, the primary competition is coming from the
10 national wireless providers and established cable providers, each of whom are
11 subject to significantly less regulation and many of whom have resources far
12 greater than the average ILEC (including Frontier). Wireless carriers continue to
13 take advantage of their national networks to create calling plans that allow
14 unlimited calling without usage-based charges for long distance calling. This,
15 combined with the mobility offered by wireless service has moved this service
16 from an “add-on” to local wireline service to a vigorous competitor; indeed, many
17 customers are disconnecting landline service and relying only on wireless. This is
18 increasingly true with the younger generation of customers. Today there are more
19 wireless subscribers in the U.S. than there are traditional phone lines.

20 In addition, changes in technology and regulation now allow cable
21 television providers to compete directly with telephone companies. Many of
22 these companies also use their cable programming to their marketing advantage
23 by continually advertising their broadband and voice offerings.

1 **Q. What is the result of this new environment?**

2 A. This increase in competition and wireless substitution for landlines has led ILECs
3 to re-evaluate how they operate their businesses. Competition has forced ILECs
4 to operate more efficiently and find ways to deliver a greater variety of services.
5 Customer retention and creating value are now part of the everyday strategy for
6 Frontier and for all ILECs. With these market changes, size, scope, and clear
7 focus on strategic choices have become increasingly important.

8

9 **Q. What do you mean when you say that the telecommunications industry is**
10 **requiring increasingly clear strategic choices?**

11 A. As competition increases in various markets, strategic clarity regarding the
12 markets that a company will target and where it can most productively deploy its
13 resources becomes critical if it is to maintain its financial health. As a result,
14 large carriers are asking themselves about whether to maintain or divest non-
15 strategic assets, and potentially how to rededicate those cash flows to more
16 focused strategic objectives, such as national wireless platforms, broadband and
17 new video services, all of which are capital intensive.

18 Because capital resources are limited, ILECs will continue to target
19 resources into the most strategic operations. Smaller markets, particularly
20 markets where the customer line density is lower, may require a different kind of
21 strategic focus that is distinguished from service to denser and more national
22 markets.

23

1 **Q. What do you mean that smaller markets require a different kind of focus?**

2 A. We believe successful wireline telecommunications service in smaller markets
3 requires targeted investment, products, local presence within their communities,
4 dedication to relatively higher penetration of broadband in less-dense regions, and
5 collaboration with local policymakers. What may be deemed as a small or
6 secondary market to a nationally diversified provider can be a key growth market
7 for a smaller, more specialized provider. Frontier has experience in providing that
8 focus in smaller markets, while at the same time successfully serving larger
9 suburban markets in that same state.

10

11 **Q. Why is Frontier seeking to complete the proposed transaction with Verizon?**

12 A. Frontier sees the proposed transaction with Verizon as an opportunity to build on
13 its successful experience in providing communication services to a myriad of
14 types of communities. It is no secret that competition and the current economic
15 downturn have created challenges for all ILECs. Frontier feels the proposed
16 transaction will ensure that the Company is large enough and has the financial
17 wherewithal to weather challenges from competitors as well as economic
18 uncertainty. As I will explain more fully below, acquiring the Verizon exchanges
19 that are the subject of this transaction will increase the number of Frontier
20 customers, the company's revenue, improve its balance sheet and free up
21 additional cash to bring more services to these exchanges.

22

1 **IV. DESCRIPTION OF THE PROPOSED TRANSACTION**

2 **Q. Describe the proposed transaction with Verizon.**

3 A. On May 13, 2009, Frontier entered into an Agreement and Plan of Merger (the
4 “Merger Agreement”) with New Communications Holdings and Verizon. The
5 proposed transaction will ultimately, through a series of internal restructurings and
6 stock transfers, lead to the transfer of Verizon’s local exchange networks in
7 Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio,
8 Oregon, South Carolina, West Virginia, and Wisconsin, and a portion of
9 Verizon’s local exchange networks in California, to Frontier. In addition to
10 acquiring Verizon’s local exchange business in these areas, Frontier will also
11 acquire the customer relationships for long distance, and High-Speed Internet.

12

13 **Q. Describe the corporate organization structure after the transaction.**

14 A. Upon completion of the transaction, Frontier (under its existing name and
15 corporate structure) and its wholly owned operating subsidiaries will own and
16 control the assets, customer relationships, and operations transferred to Frontier
17 through the parent company transaction at issue here, as well as continue to own
18 and control its current businesses. Current Frontier management is expected to
19 manage and control the day-to-day operations of Frontier and its operating
20 subsidiaries, including the assets transferred to it through the transaction proposed
21 here.

22

1 **Q. Identify the Verizon ILEC operating companies Frontier will operate and**
2 **control in South Carolina after the proposed transaction.**

3 A. As is discussed in more detail in the accompanying Direct Testimony of Timothy
4 McCallion of Verizon, the essence of the transaction for South Carolina is that
5 Verizon South's ILEC operations in South Carolina will be transferred in their
6 entirety to New Communications of the Carolinas, Inc. (often referred to as
7 NewILEC in the Joint Application). As part of the proposed transaction, this
8 NewILEC entity will be transferred, pursuant to a parent company merger, to
9 Frontier and will be renamed Frontier Communications of the Carolinas, Inc.
10 Thus, Frontier Communications of the Carolinas will operate the current South
11 Carolina exchanges of Verizon South.

12
13 **Q. Will any affiliates of Frontier be involved in undertaking the long distance**
14 **service currently provided by Verizon to its South Carolina customers?**

15 A. Yes. Frontier and Verizon will be establishing a new long distance carrier – New
16 Communications Online and Long Distance Inc., which will be seeking long
17 distance certification and will be accepting a transfer of the long distance
18 customers in South Carolina (and other states involved in the proposed
19 transaction) currently being served by Verizon's long distance affiliates Verizon
20 Long Distance LLC ("VLD") and Verizon Enterprise Solutions LLC ("VES").
21 That new entity will be acquired by Frontier as part of the transaction.

1 **V. THE PROPOSED TRANSACTION IS IN THE PUBLIC INTEREST.**

2 **Q. What is the standard for Commission approval of the relief requested in this**
3 **docket?**

4 A. My understanding is that the Commission applies a public interest standard to
5 determine whether a proposed transaction is in the public interest. The
6 Commission addressed the standard for approval in the MCI/SouthernNet merger
7 docket (Docket No. 2004-319-C).

8

9 **Q. Is the relief requested by the parties in this docket in the public interest?**

10 A. Yes. The relief requested, which I describe further below, concerns an internal
11 reorganization within Verizon that is in the public interest for the reasons
12 explained in the Direct Testimony of Timothy McCallion. The transfer of control
13 of NewILEC and NewLD from Verizon to Frontier will take place at the parent
14 company level and my understanding is that Commission approval for this
15 transfer is not required. As I explain in detail below, however, this transfer also is
16 in the public interest.

17

18 **Q. Does Frontier believe the proposed transaction will benefit current Verizon**
19 **customers in South Carolina as well as Frontier's ability to provide quality**
20 **service?**

21 A. Yes. As I will explain further in my testimony, the transaction will yield
22 significant benefits for South Carolina. *First*, South Carolina customers will
23 benefit from greater investment in broadband and its availability over time.

1 Frontier has a proven record of achieving significantly higher broadband
2 availability rates in its service areas, which are even more rural than the areas to
3 be acquired from Verizon. Nationally, Frontier has made broadband available to
4 over 90% of households in its service territory via network broadband
5 investments made over the last eight (8) years. Once this transaction is
6 completed, Frontier's plan is to focus on and invest in broadband over time in the
7 Verizon South Carolina exchanges and the other areas it is acquiring so as to
8 approach the levels of broadband availability and subscribership in these areas
9 that more nearly approximate those achieved in Frontier's service territories
10 today. In addition, Frontier plans to offer many of the same innovative
11 promotions and service offerings that have focused on the adoption of broadband
12 by consumers.

13 *Second*, customers will benefit from Frontier's track record of successfully
14 providing high-quality service in rural communities, suburban markets and
15 smaller to moderately sized cities. Following completion of the transaction,
16 Frontier will be able to generate improved operational performance through the
17 deployment of Frontier's technology and processes in the acquired service areas
18 in South Carolina.

19 *Third*, Frontier will become larger and stronger, which in turn will benefit
20 South Carolina customers. Frontier currently serves approximately 2.25 million
21 access lines, and this transaction will accelerate Frontier's growth, creating a
22 larger company with increased financial strength and flexibility. Frontier will be
23 the fifth-largest ILEC in America, serving predominantly rural communities,

1 suburban markets and smaller to moderately sized cities, and it will have 8.6
2 million voice and broadband connections, including more than 7 million access
3 lines and \$6.5 billion in revenues. Following the transaction Frontier will be a
4 more robust carrier with the financial capability to make the investments needed
5 to increase broadband penetration and provide better service. Frontier will have
6 an even stronger balance sheet and greater cash flow generation capabilities. The
7 increased financial strength is expected to improve Frontier's access to capital and
8 lower its cost of capital, which will inure to the benefit of the South Carolina
9 operating company and their customers.

10
11 **A. SOUTH CAROLINA CUSTOMER BENEFITS AND EXPANDED**
12 **BROADBAND SERVICES OVER TIME**

13 **Q. What is the current status of the Frontier broadband deployment in the**
14 **areas where Frontier operates?**

15 A. Frontier operates in twenty-four (24) states. In these states, Frontier owns and
16 operates 330 host and 695 remote switches. Digital Subscriber Line ("DSL")
17 service (referred to as High-Speed Internet or "HSI" in the Frontier product set)
18 has been deployed in 1,017 (99.3%) of the 1,025 Frontier host and remote
19 switches. Across the country, Frontier is currently able to serve approximately
20 over 90% of the households in its service territory with High-Speed Internet
21 broadband capacity.

1 **Q. What are Frontier's goals for increasing broadband availability in South**
2 **Carolina?**

3 A. Our goal is to increase broadband availability over time in the Verizon exchanges
4 we are acquiring. Frontier, of course, will not be able to immediately deploy
5 broadband-capable infrastructure to all areas. Therefore, as with most network
6 investment plans of this magnitude, we have to make decisions on where to
7 deploy infrastructure first based on the relevant business case scenarios. We are
8 currently in the process of determining where we will first augment the broadband
9 network, but in typical deployment schedules we build-out to areas where we can
10 reach the highest number of customers most quickly.

11
12 **Q. How does the line density of Frontier's service areas compared to Verizon's**
13 **line density impact Frontier's ability to invest in and deploy additional**
14 **broadband services?**

15 A. Within its current territories, Frontier has an average line density of 17 access
16 lines per square mile. The acquired Verizon territories average 35 access lines per
17 square mile. As noted above, Frontier has been able to achieve over 90%
18 broadband deployment in its less densely populated service areas via network
19 broadband investment over the past eight (8) years. Over time Frontier will be
20 able to achieve increased broadband deployment levels in the acquired Verizon
21 territories, which are on average more densely populated.

1 **Q. Why is the expansion of broadband an important objective of Frontier?**

2 A. From Frontier's business perspective, providing broadband service to the
3 unserved or underserved customers in the acquired areas is a key driver of this
4 transaction and presents a significant business growth opportunity. The provision
5 of broadband service to more customers will be an important source of additional
6 revenue and key to reducing the approximately 10% access line loss Verizon has
7 recently been experiencing in these areas (significantly higher than the
8 approximately 7% loss Frontier experienced in its service areas in 2008).
9 Customers and Frontier will derive significant benefits where Frontier can
10 increase broadband availability in the service areas it will acquire from Verizon.
11 It will allow Frontier to increase the services and bundles of services it can make
12 available to customers. Frontier's track record of making broadband service
13 available to over 90% of its customer households across the country reflects its
14 commitment to the deployment of broadband in rural areas and its core belief that
15 such deployment is fundamental to its business model and its ability to retain
16 customers.

17

18 **Q. Please summarize the federal Broadband Stimulus Funding Program under**
19 **the American Reinvestment and Recovery Act of 2009.**

20 A. This is a federal grant and loan program, to be administered by the Rural Utility
21 Service (RUS), a division of the Department of Agriculture; and the National
22 Telecommunications and Information Administration (NTIA), a division of the
23 Department of Commerce. In addition to the program's goal of providing direct

1 stimulus to the U.S. economy, it is intended to further the national goal of
2 strengthening the nation's broadband infrastructure and improving broadband
3 utilization, particularly in rural areas.

4 The program provides a total of \$7.2 billion in grants and loans for both
5 investment in infrastructure and adoption programs. NTIA will be responsible for
6 distributing \$4.7 billion to meet project goals with the remaining \$2.5 billion to be
7 administered through the RUS. Generally, the grant program provides 80% of the
8 total project cost with the applicant making the remaining 20% investment. The
9 grants and loans issued in three separate application and review periods.
10

11 **Q. What is the current status of the federal Broadband Stimulus Funding**
12 **Program?**

13 A. RUS and NTIA issued a joint Notice of Funds Availability (NOFA) on July 1,
14 2009. The notice details the process for the first round of Broadband Stimulus
15 Funding grants and loans. The first application period is open from July 14
16 through August 14, 2009. Awards will begin to be announced around November
17 7. The timing of applications for the second and third rounds have not yet been
18 finalized or released by RUS and NTIA but the second and third application
19 periods are expected to occur in fourth quarter 2009 and second quarter 2010,
20 respectively.
21

22 **Q. For what type of projects does Frontier anticipate it will request funding**
23 **under the program?**

1 A. Frontier expects to request funding for both last mile and middle mile projects to
2 expand broadband penetration within the unserved and underserved markets that
3 it serves. Frontier's "last mile" projects include provisioning DSLAMs and
4 digital loop carrier within the local distribution network to extend availability of
5 broadband services to more rural and sparsely populated areas of its exchanges,
6 often areas with long loop lengths that are beyond 21,000 feet. The "middle mile"
7 projects include re-enforcement of transport facilities to a Frontier wire center to
8 support broadband services to the entire wire center.

9

10 **Q. Why is it important for the Commission to approve the Frontier acquisition**
11 **of the Verizon exchanges so that Frontier can participate in the Broadband**
12 **Stimulus Funding program?**

13 A. The service areas Frontier intends to acquire from Verizon have several areas that
14 may qualify under NTIA and RUS definitions as underserved or unserved. The
15 opportunity to seek and receive broadband funding for projects in these areas can
16 be helpful in accelerating broadband deployment and assist in funding projects
17 that would not otherwise be economically justified. While the timing of the
18 applications period for the second and third rounds of funding is not yet
19 definitively known, timely approval of the Frontier acquisition will increase the
20 likelihood of Frontier being in a position to apply for funding in the rural portions
21 of Verizon's service territory, including areas within South Carolina. This is one
22 of the reasons why we have asked this and other commissions to act expeditiously
23 in their review of the proposed transaction.

1 **Q. Describe how Frontier has distinguished itself from other providers to ensure**
2 **customers can use the High-Speed Internet broadband services that are**
3 **available to them.**

4 A. In order to generate a return on Frontier's investment in broadband availability,
5 our strategy is to create promotions that increase adoption by enabling all
6 segments of our customer base to experience the benefit of our broadband
7 offerings where they previously may not have had such an opportunity or could
8 not afford the services. As an example, Frontier determined that a sizeable
9 percentage of our customer base (up to 40% of our customers in some rural
10 markets) did not have a personal computer (PC) in their household. Obviously,
11 access to a PC is key to crossing the digital divide, and using the broadband
12 capability to receive next generation services.

13 With this concern in mind, in 2006, Frontier created a promotion entitled:
14 "Free Ride" pursuant to which any customer who purchased Frontier's voice and
15 HSI package during the promotional period at a bundled discounted rate with a 2-
16 year commitment received a free Dell brand PC. Frontier offered similar
17 promotions which enabled customers to receive a free PC or laptop computer in
18 2007, 2008 and the first part of 2009. As a result of these offerings, Frontier has
19 provided over 85,000 computers to its customers in the last three years and has
20 increased the ability of its customers to use of our broadband services.

21
22 **Q. Will Frontier make future promotions available in the Verizon service**
23 **territories being acquired?**

1 A. Yes. Frontier plans to make the same promotions it makes available to its
2 existing customer base, including, as described above, any future promotion
3 involving the provision of a laptop or PC with a Frontier phone and High-Speed
4 Internet bundle, available to the customers in the Verizon service territories it is
5 acquiring, including South Carolina.

6

7 **Q. What else is special about Frontier's customer service that ensures customers**
8 **can effectively use the High-Speed Internet services they purchase from**
9 **Frontier?**

10 A. Frontier seeks to ensure that each customer is able to enjoy the benefits of
11 Frontier's service offerings without inconvenience by performing "full installs" of
12 its products in the customers' home. Under this program, instead of mailing an
13 installation kit to a customer's homes, a Frontier technician will go to the
14 customer's location and perform a full installation of the High-Speed Internet
15 service. The technician will also make sure that the PC is set up correctly and
16 show the customer how to access the Internet and their email.

17 Frontier is convinced that its high level of service is a key ingredient to its
18 success with high broadband penetration in its existing service territory. While
19 Frontier believes Verizon's current customers are well served, we believe
20 Frontier's combination of promotions and unique customer service will provide a
21 clear benefit to these customers if the transaction is approved.

22

1 **Q. Will Frontier implement its process of deploying a technician to install High-**
2 **Speed Internet service to new subscribers of broadband service in the**
3 **Verizon service territories being acquired?**

4 A. Yes. While it will not happen on day one following the closing of the proposed
5 transaction, it is Frontier's intention that over time it will implement the same
6 process it utilizes in the existing Frontier properties to deploy a technician to the
7 customer's home to install newly acquired High-Speed Internet service in South
8 Carolina.

9

10 **Q. What are the additional customer benefits that Frontier anticipates?**

11 A. The proposed transaction will create a range of benefits for Verizon's existing
12 customers. These benefits include more locally focused customer service and
13 competitive pricing of new bundled service offerings tailored to the desires of
14 new Frontier customers. Frontier plans to expand significantly the availability of
15 competitively priced communications services bundles, providing greater choice
16 in the marketplace.

17

18 **Q. Why does Frontier think it can improve on Verizon's performance in the**
19 **areas it is acquiring?**

20 A. Frontier's predominant business focus is delivering high quality wireline services
21 over its own networks in rural communities, suburban markets and in smaller to
22 moderately sized cities. Within Frontier, wireline network investment and
23 customer service in these areas will not be competing for capital and management

1 attention with a diverse array of other delivery platforms such as a national
2 wireless platform, or with global enterprise services or more urbanized markets.
3 Rather, Frontier's business plan depends on investing in and providing efficient
4 service to customers in rural areas and smaller and midsized communities, and it
5 has implemented business practices, investment strategies, and customer service
6 initiatives designed for customers in these service areas.
7

8 **B. FRONTIER HAS THE TECHNICAL, MANAGERIAL AND**
9 **FINANCIAL CAPABILITY TO EFFECTIVELY OPERATE THE**
10 **VERIZON OPERATIONS IT IS ACQUIRING IN SOUTH**
11 **CAROLINA.**

12 **Q. Does Frontier have the technical, managerial and financial capability to**
13 **operate successfully?**

14 A. Yes. As described above in the overview of the company, Frontier has the
15 technical, managerial and financial capability to operate successfully. Frontier
16 has a strong management team with years of experience is successfully providing
17 local exchange service in twenty-four (24) states. Frontier currently serves
18 approximately 2.25 million access lines, and this transaction will accelerate
19 Frontier's growth, creating a larger company with increased financial strength and
20 flexibility. The transaction will increase Frontier's position as one of the largest
21 providers of voice, broadband and video services focused primarily on rural,
22 smaller to moderately sized cities and suburban markets in the United States. As
23 explained below, following the transaction, Frontier will be a more robust carrier

1 with the financial capability to make the investments needed to increase
2 broadband penetration and provide better service. Frontier will have an even
3 stronger balance sheet and greater cash flow generation capabilities.
4

5 **Q. Will Frontier have the management and technical expertise to operate the**
6 **Verizon operations it is acquiring in South Carolina?**

7 A. Yes. Frontier's executive management and current employee team, combined
8 with the approximately Eleven Thousand (11,000) current Verizon employees that
9 will join Frontier, will have the necessary management and technical expertise to
10 successfully operate the Verizon operations Frontier is acquiring.
11

12 **Q. Please identify the executive leadership team that will manage Frontier's**
13 **operations following the closing of the proposed transaction?**

14 A. The existing Frontier operations, along with the Verizon operations to be acquired
15 by Frontier, will be managed by an experienced group of executives at Frontier.
16 Frontier's senior management team will continue to manage the business of the
17 combined company. In addition, Frontier expects to supplement its current senior
18 management team with members of Verizon's current regional management team
19 who currently manage the Verizon business. Set forth below are the name, age
20 and biographical information of each person who is currently expected to be a
21 member of Frontier's senior management immediately following the proposed
22 transaction:

1 • *MARY AGNES WILDEROTTER*, 54, has been with Frontier since
2 November 2004. She was elected President and Chief Executive Officer
3 in November 2004 and Chairman of the Board in December 2005. Prior
4 to joining Frontier, she was Senior Vice President—Worldwide Public
5 Sector of Microsoft Corp. from February 2004 to November 2004 and
6 Senior Vice President—Worldwide Business Strategy of Microsoft Corp.
7 from 2002 to 2004. Prior to that she was President and Chief Executive
8 Officer of Wink Communications from 1997 to 2002.

9
10 • *DONALD R. SHASSIAN*, 53, has been with Frontier since April 2006. He
11 is currently Executive Vice President and Chief Financial Officer.
12 Previously, he was Chief Financial Officer from April 2006 to February
13 2008. Prior to joining Frontier, Mr. Shassian had been an independent
14 consultant since 2001, primarily providing M&A advisory services to
15 several organizations in the communications industry. In his role as
16 independent consultant, Mr. Shassian also served as Interim Chief
17 Financial Officer of the Northeast region of Health Net, Inc. for a short
18 period of time, and assisted in the evaluation of acquisition, disposition
19 and capital raising opportunities for several companies in the
20 communications industry, including AT&T, Consolidated
21 Communications and smaller companies in the rural local exchange
22 business. Mr. Shassian is a certified public accountant, and served for five
23 years as the Senior Vice President and Chief Financial Officer of Southern

1 New England Telecommunications Corporation and for more than 16
2 years at Arthur Andersen, where his last position was as Partner-in-Charge
3 of the Telecommunications Industry Practice for North America.
4

- 5 • *HILARY E. GLASSMAN*, 47, has been with Frontier as Senior Vice
6 President, General Counsel and Secretary since July 2005. Prior to joining
7 Frontier, from February 2003, she was associated with Sandler O'Neill &
8 Partners, L.P., an investment bank with a specialized financial institutions
9 practice, first as Managing Director, Associate General Counsel and then
10 as Managing Director, Deputy General Counsel. From February 2000
11 through February 2003, Ms. Glassman was Vice President and General
12 Counsel of Newview Technologies, Inc. (formerly e-Steel Corporation), a
13 privately-held software company.
14

- 15 • *PETER B. HAYES*, 51, has been with Frontier since February 2005. He is
16 currently Executive Vice President, Sales, Marketing and Business
17 Development. Previously, he was Senior Vice President, Sales, Marketing
18 and Business Development from February 2005 to December 2005. Prior
19 to joining Frontier, he was associated with Microsoft Corp. and served as
20 Vice President, Public Sector, Europe, Middle East, Africa from 2003 to
21 2005 and Vice President and General Manager, Microsoft U.S.
22 Government from 1997 to 2003.

1 • *ROBERT J. LARSON*, 50, has been with Frontier since July 2000. He was
2 elected Senior Vice President and Chief Accounting Officer of Frontier in
3 December 2002. Previously, he was Vice President and Chief Accounting
4 Officer from July 2000 to December 2002. Prior to joining Frontier, he
5 was Vice President and Controller of Century Communications Corp.

6
7 • *DANIEL J. McCARTHY*, 45, has been with Frontier since December 1990.
8 He is currently Executive Vice President and Chief Operating Officer.
9 Previously, he was Senior Vice President, Field Operations from
10 December 2004 to December 2005. He was Senior Vice President
11 Broadband Operations from January 2004 to December 2004, President
12 and Chief Operating Officer of Electric Lightwave from January 2002 to
13 December 2004, President and Chief Operating Officer, Public Services
14 Sector from November 2001 to January 2002, Vice President and Chief
15 Operating Officer, Public Services Sector from March 2001 to November
16 2001 and Vice President, Citizens Arizona Energy from April 1998 to
17 March 2001.

18
19 • *CECILIA K. McKENNEY*, 46, has been with Frontier since February 2006.
20 She is currently Executive Vice President, Human Resources and Call
21 Center Sales & Service. Previously, she was Senior Vice President,
22 Human Resources from February 2006 to February 2008. Prior to joining
23 Frontier, she was the Group Vice President of Headquarters of Human

1 Resources of The Pepsi Bottling Group, referred to as PBG, from 2004 to
2 2005. Previously at PBG Ms. McKenney was the Vice President,
3 Headquarters Human Resources from 2000 to 2004.

- 4
- 5 • *MELINDA WHITE*, 49, has been with Frontier since January 2005. She is
6 currently Senior Vice President and General Manager of New Business
7 Operations. Previously, she was Senior Vice President, Commercial Sales
8 and Marketing from January 2006 to October 2007. Ms. White was Vice
9 President and General Manager of Electric Lightwave from January 2005
10 to July 2006. Prior to joining Frontier, she was Executive Vice President,
11 National Accounts/Business Development for Wink Communications
12 from 1996 to 2002.
- 13

14 **Q. Have specific plans been made regarding the organizational structure as it**
15 **relates to South Carolina?**

16 **A.** Yes. South Carolina will be part of Frontier's Southeast Region. As explained
17 below, within each state, Frontier will assign a South Carolina Area General
18 Manager with overall responsibility for customer service and operations in the
19 state. In addition, Frontier will establish two local general manager positions with
20 customer service and operations support for a group of communities in South
21 Carolina. The two local General Managers in South Carolina will be located in
22 Myrtle Beach and Sumter.

1 **Q. Has Frontier made final decisions about staffing other management positions**
2 **in South Carolina?**

3 A. No. While Frontier has not made all decisions about staffing, we will continue to
4 work through an orderly planning process. There are several principles guiding
5 our approach. The first core principle is that we will be a “customer-centered”
6 organization. In other words, we will be primarily organized around the customer
7 experience. Customer-centered functions include but are not limited to our
8 general managers in the field, our professional installation and maintenance
9 technicians in the field, inbound call and service centers and our sales teams.

10 A second guiding principal is local decision making. Frontier will have a
11 senior-level Area General Manager in South Carolina with significant
12 responsibility decision-making authority in the state. Local general managers will
13 likewise have responsibility for customer service and operations at an even more
14 localized level. This model is significantly different than what many incumbent
15 providers utilize, who instead use a centralized management structure in one
16 location. Frontier will continue to have a relatively flat organization, as we do
17 now, meaning that there will be few layers between me, as COO, the Regional
18 President and General Manager, the South Carolina Area General Manager, and
19 the local general managers that will be running the Frontier operations in the
20 South Carolina communities we serve. Consequently, decision makers will be
21 accessible, and decisions will be timely and tailored to the specific needs of the
22 communities and customers in South Carolina.

1 Third, Frontier intends to extend to the new territories its local manager-
2 based management structure focused on dedicating the necessary resources to
3 benefit local operations and communities, and to ensure that the company can
4 achieve its objectives starting at the most local levels. Each local manager will be
5 responsible for virtually all aspects of customer service, and operations for a
6 cluster or group of communities in South Carolina. The local manager will
7 influence and make decisions regarding capital expenditures and resources
8 dedicated to their areas and will be responsible for customer sales, service and
9 satisfaction. We believe that this commitment to local management will provide
10 employees greater opportunities for internal advancement and professional
11 development and will provide greater localized decision-making authority, for the
12 benefit of both employees and consumers.

13
14 **Q. Please address the integration of Verizon company employees into Frontier?**

15 A. Verizon employees whose primary duties relate to the Verizon businesses being
16 acquired by Frontier, excluding certain employees designated by Verizon, will
17 immediately after closing continue as employees of one of Frontier's subsidiaries.
18 Approximately Eleven Thousand (11,000) current Verizon employees will
19 transition over to Frontier as part of the proposed transaction. While Verizon and
20 Frontier are still in the process of identifying some of the specific employees who
21 will transition to Frontier, it is clear that the majority of the Verizon company
22 employees who are experienced and dedicated to the provision of local services in
23 South Carolina will become part of the Frontier team following the closing of the

1 transaction. The customer service, network and operations functions that are
2 critical to Frontier's success in providing high quality service will continue to
3 work and provide service in South Carolina after the transaction is complete.
4

5 **Q. Please describe some of the specific commitments Frontier has made to help**
6 **facilitate continuation of quality service.**

7 A. Frontier has committed that during the first eighteen (18) months after the
8 transaction closes, Frontier will not terminate the employment, other than for
9 cause, of any of the current Verizon employees who are actively employed as
10 installers or technicians or are on a leave of absence or other authorized absence
11 with a right to reinstatement. Employees generally will continue in their existing
12 roles and locations, performing functions consistent with those they perform
13 today, after the transaction is completed.
14

15 **Q. Please provide background regarding Frontier's financial capability?**

16 A. Frontier has a strong income statement and balance sheet and is financially
17 qualified to complete the Verizon acquisition and to operate the acquired
18 properties.³ The following is a summary of Frontier's current financial status:

³ A copy of Frontier's most recent 10-K (filed February 27, 2009 for year ended December 31, 2008) and 10-Q (filed May 07, 2009 for quarter ended March 31, 2009), filed with the Securities and Exchange Commission are available online at:
<http://www.sec.gov/Archives/edgar/data/20520/000002052009000009/form10k4q2008.txt> and
<http://www.sec.gov/Archives/edgar/data/20520/000002052009000023/form10q1q09.txt>, respectively.

- 1 • Revenue and Income. In 2008, Frontier's revenue was \$2.2 billion, with a net
2 income of \$182.7 million. For the first quarter of 2009, Frontier's revenue
3 was \$538 million, with a net income of \$36.3 million.

- 4
5 • Cash Generation. We continue to grow Free Cash Flow through further
6 growth of broadband and value-added services, productivity improvements,
7 and a disciplined capital expenditure program that emphasizes return on
8 investment while delivering enhanced and broadband services to all markets.
9 For 2008 and through March 31, 2009, Free Cash Flow was \$493.2 million
10 and \$146.1 million, respectively.

- 11
12 • Growth. During the first quarter of 2009, we added approximately 20,100
13 new High-Speed Internet customers and as of March 31, 2009 we had
14 approximately 600,000 High-Speed data customers and approximately
15 771,000 customers subscribed to a bundle or package of services. In 2005, we
16 began offering a television product in conjunction with DISH Network. The
17 Company added approximately 26,000 video customers during the first
18 quarter of 2009 and at March 31, 2009 we had approximately 146,000
19 customers buying a package of telephone and video services.

20
21 **Q. You have explained that Frontier is a financially solid operating company**
22 **today - will the projected financial status for Frontier improve following the**
23 **closing of the proposed transaction with Verizon?**

A. Yes. Not only will Frontier continue to be financially strong following the closing of the proposed Verizon transaction, its financial position will be improved. By deleveraging its balance sheet and by decreasing both its per-share dividend payout and dividend payout ratio as described below, Frontier will emerge from this transaction as a stronger, more stable competitor with a financial structure and level of cash flow that will enable it to make investments in the acquired service territories, including in broadband, and to provide even more efficient service in these areas.

Q. Please summarize the key service and financial metrics for the combined company?

A. The following is a summary of some of the critical service and financial metrics we considered for Frontier and the combined company.

Summary Financial Comparison

2008 Statistics	Frontier Standalone	Frontier Pro Forma
Access Lines	2,250K	7,050K
Revenue	\$2,250M	\$6,525M
EBITDA	\$1,200M	\$3,125M
CAPEX	\$290M	\$700M
Free Cash	\$500M	\$1,400M
Net Debt	\$4,547M*	\$8,005M
Net Leverage	3.8x	2.6x
Dividend/Share	\$1.00	\$0.75
Dividend Payout Ratio	64.6%	43.0%

Note: Data pro forma for the year ended December 31, 2008, except as noted.

* As of 3/31/2009

1 As I explain below, the combined company will be financially stronger than a
2 standalone Frontier in several critical respects.

3
4 **Q: Based on the financial review Frontier has completed, explain the projected**
5 **changes in Frontier's free cash flow following the completion of the proposed**
6 **transaction?**

7 A. On a pro forma basis for 2008, the combined company would have had free cash
8 flow of over \$1.4 billion, as compared to approximately \$500 million for Frontier
9 on a stand-alone basis. Free cash flow is defined as after-tax cash from operations
10 less cash for capital investments. The transaction will result in significant free
11 cash flow accretion in the second full year of operation.

12
13 **Q. Has Frontier revised its dividend policy that will take effect after the**
14 **proposed transaction is completed?**

15 A. Yes. At the discretion of its Board of Directors, Frontier currently pays an annual
16 cash dividend of \$1.00 per share of Frontier common stock. After the closing of
17 the transaction, Frontier intends to change its dividend policy to pay an annual
18 cash dividend of \$0.75 per share of Frontier common stock, reducing its dividend
19 by 25% – from \$1.00 to \$0.75 per share – effective with the close of the
20 transaction. This will result in the ratio of Frontier's dividend payout of its free
21 cash flow decreasing from almost 65% on a standalone basis to approximately
22 43% on a pro forma basis for 2008. Frontier believes that this dividend policy,
23 and associated reduced dividend payout ratio, affords the combined company the

1 financial flexibility to use the additional free cash flow to invest in the newly
2 acquired Verizon territory, offer new products and services, and increase
3 broadband capability in its markets over the next few years.

4

5 **Q. What effect will the transaction have on Frontier's leverage ratio?**

6 A. As a result of the acquisition of Verizon, Frontier's leverage ratio (net debt
7 divided by earnings before interest, taxes, depreciation and amortization, or
8 EBITDA) is projected to decrease from 3.8 times to 2.6 times, which is
9 approaching investment grade. This will provide Frontier with improved access to
10 the capital markets, thereby increasing Frontier's flexibility to further manage its
11 balance sheet and/or invest in new products for its customers.

12

13 **C. FRONTIER WILL HAVE ACCESS TO CAPITAL TO EFFECTIVELY**
14 **OPERATE THE VERIZON OPERATIONS IT IS ACQUIRING IN SOUTH**
15 **CAROLINA.**

16 **Q. Do you anticipate that Frontier will be able to attract additional capital to**
17 **operate in South Carolina, if it seeks to do so?**

18 A. Based on our financial analysis, we project that following the transaction Frontier
19 will be able to generate significant free cash flow, and will be able to attract
20 additional capital, if necessary, to provide high quality service and effectively
21 expand our planned broadband deployment. Given the solid ratios, the improving
22 capital structure and the size of the company following the transaction, we are
23 confident that the capital markets will continue to be open to us should we need to

1 access them. In fact, two credit rating agencies (Moody's and Fitch) put Frontier
2 on a positive credit watch the day the proposed transaction was announced,
3 thereby suggesting Frontier's credit rating may improve following the closing of
4 the transaction, based upon the projected capital structure.

5
6 **Q. Will Frontier be a financially sound company subsequent to this transaction?**

7 A. Yes. Frontier will be a much stronger company. I have already described the
8 reduced leverage and increased cash flow items resulting from the transaction.
9 This transaction will improve Frontier's balance sheet and help assure the
10 company will remain financially sound and viable, with the resources to provide
11 the benefits I have described to our existing and new customers and communities
12 we will serve.

13
14 **Q. Does the transaction present additional financial opportunities for Frontier?**

15 A. Yes. In Frontier's view, the transaction presents numerous opportunities for
16 further value creation and increased revenues. Frontier's key metrics in its
17 current service territories – which are more rural than the ones it is acquiring in
18 this transaction – exceed those of Verizon in the acquired territories. In
19 particular, while Verizon has recently experienced access line losses of
20 approximately 10%, Frontier's rate of loss has been approximately 7%. Frontier's
21 penetration rate for key services surpasses Verizon's in the acquired territories:
22 Approximately 69% for long distance as compared to approximately 46% for
23 Verizon; approximately 25% for High-Speed Internet access as compared to about

1 20% for Verizon, and approximately 9% for satellite television service versus
2 approximately 5% for Verizon. Frontier expects that it will be able to bring its
3 product and service penetration in the acquired areas much closer in line to its
4 performance in its current service areas, resulting in more services for customers
5 and greater revenue.

6

7 **D. THE PROPOSED TRANSACTION WILL NOT DIMINISH SERVICE**
8 **QUALITY**

9 **Q. Will the transaction diminish service quality for the customers currently**
10 **served by Verizon?**

11 A. No. Frontier has a highly successful track record of acquiring, operating, and
12 integrating telecommunications properties across the country. Frontier has
13 extensive experience – and extensive success – integrating existing operations
14 into Frontier without adversely impacting the customer.

15

16 **Q. What is Frontier's overall goal, from a network perspective, in owning and**
17 **operating the acquired Verizon properties?**

18 A. Overall, Frontier plans to engineer and invest in a network capable of providing
19 leading edge, state-of-the-art telecommunications products and services in
20 response to customer needs. Frontier recognizes that a vibrant network is at the
21 core of the state's communications infrastructure. Frontier is prepared to
22 undertake the task of keeping this infrastructure up-to-date and capable of
23 providing the entire suite of communications applications – both existing and

1 evolving – to large business customers as well as residential and small business
2 customers.

3

4 **Q. What are Frontier’s objectives regarding customer service and service**
5 **quality for the new Verizon service areas you are acquiring?**

6 A. Frontier’s overarching objective will be to maintain and improve the service that
7 is currently provided. This is a competitive business and Frontier will have to be
8 a quality service provider in order to compete effectively.

9 Frontier has been clear about the strategic imperative to provide a
10 customer experience that meets or exceeds customer expectations. One of
11 Frontier’s core principles is “To put the customer first.” The commitment to do
12 so is a significant contributor to creating an environment where market share
13 erosion can be slowed and new services successfully sold. Decisions will be
14 made so as to give employees the tools to provide high levels of customer service
15 and satisfaction.

16

17 **E. CUSTOMERS WILL CONTINUE TO RECEIVE THE SAME**
18 **TELECOMMUNICATIONS SERVICES AFTER THE TRANSACTION IS**
19 **COMPLETE.**

20 **Q. What will be the immediate impact on retail customers following the**
21 **transaction?**

22 A. Upon completing the transaction, existing retail customers will continue to
23 receive substantially the same regulated intrastate services on the same terms and

1 conditions under their existing contracts, agreements, price lists and tariffs, and
2 the transfer will be closely coordinated to ensure a smooth transition. Frontier has
3 no plans to make any changes to the services in South Carolina at closing. With
4 respect to retail customers, Frontier will continue to provide local exchange and
5 domestic interstate and international interexchange telecommunications and
6 information services after the closing of the transaction without any material
7 reduction, impairment, or discontinuance of service to any customer. Frontier
8 will honor existing tariffs and contracts to make the transition seamless for retail
9 customers. This will ensure that the transaction will be transparent to current
10 customers in South Carolina, who generally will continue to receive the same
11 services on the same terms. The only significant change these customers will see
12 is a change in the name of their service provider from Verizon to Frontier.

13
14 **Q. What will be the longer-term impact on retail customers following the**
15 **transaction?**

16 A. Over time, Frontier intends to offer customers new service choices that are
17 currently available to Frontier's existing customers, as well as new products and
18 services Frontier may make available in the future.

19
20 **Q. What toll services will Frontier provide?**

21 A. Frontier will offer substantially the same intrastate and interstate toll calling
22 services being provided by Verizon as of the closing and will initially offer the
23 same bundled service offerings of local and long distance offered by Verizon

1 South prior to closing. Over time Frontier will offer new services and service
2 bundles.

3
4 **Q. Please summarize how Frontier's prior experience in acquiring and**
5 **integrating other companies will enable Frontier to ensure customers are not**
6 **adversely affected by the proposed transaction?**

7 A. Frontier has a highly successful track record of acquiring, operating and investing
8 in telecommunications properties nationally, including over 750,000 access lines
9 it purchased from Verizon's predecessor GTE between 1993 and 2000.
10 Specifically, in 2000, Frontier acquired over 300,000 access lines in Minnesota,
11 Illinois, and Nebraska. In June 2001, Frontier purchased all of Global Crossing's
12 local exchange carriers, which served approximately 1.1 million telephone access
13 lines in Alabama, Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota,
14 Mississippi, New York, Ohio, Pennsylvania, and Wisconsin.

15 More recently, Frontier acquired and successfully integrated
16 Commonwealth Telephone Company in Pennsylvania and Global Valley
17 Networks in California. The Commonwealth Telephone Company acquisition,
18 which included over 320,000 ILEC lines and over 100,000 CLEC lines, was
19 completed in March 2007. The Global Valley Networks acquisition was
20 completed in October 2007, and included over 12,000 access lines.

21 In each of these transactions, Frontier successfully integrated all of these
22 businesses with its operations and consolidated different customer service

1 systems. Today, each of Frontier's operating companies utilizes the same
2 customer service and billing system platform.

3 Frontier has a highly successful track record of acquiring, operating, and
4 integrating in telecommunications properties across the country. Frontier has
5 extensive experience – and success – integrating existing operations into Frontier
6 without adversely impacting the customer.

7
8 **Q. Please summarize the customer billing and service system conversion that**
9 **Frontier has recently completed in 2008?**

10 A. As noted above, each of Frontier's more than fifty (50) different operating ILECs
11 now utilize the same customer service and billing platform. That was not the case
12 three years ago. Beginning in 2007 and through 2008, Frontier converted and
13 transitioned five different billing systems into one standard customer service and
14 billing system. These system conversions included the newly acquired
15 Commonwealth Telephone and Global Valley systems. More significantly, in
16 2008, Frontier also converted more than 500,000 Rochester Telephone access
17 lines to Frontier's standard customer service and billing system. It is worth noting
18 that Frontier had elected to utilize the original Rochester Telephone billing system
19 for over seven years after the June 2001 acquisition. The timing and procedures
20 for the conversion were carefully planned and tested to ensure a successful
21 transition. The conversion was not done until all the components for the
22 conversion were in place. In each of these transactions, Frontier successfully
23 integrated all of these businesses with its operations and consolidated different

1 customer service systems, including five different billing systems. Today, each of
2 Frontier's operating companies utilizes the same customer service and billing
3 system platform.

4
5 **Q. Is Frontier positioned differently than companies such as Hawaiian Telcom**
6 **and FairPoint, which have acquired lines from Verizon only to then**
7 **experience significant financial problems?**

8 A. Yes. Frontier is already a successful business with a strong management team
9 that provides service to over two (2) million access lines and, as I previously
10 described, has a strong financial position. Thus, it is distinct from, for example,
11 The Carlyle Group, a private equity group that acquired Hawaiian Telcom and
12 had limited telecommunications experience and was forced to retain a new
13 management team to run the business. Moreover, in both the Hawaiian Telcom
14 and FairPoint transactions, the acquiring parties chose to develop operational,
15 customer support and financial systems from scratch and then cut over to the new
16 systems to operate the acquired businesses. As explained in more detail in my
17 testimony below, Frontier will not be developing operational, customer support
18 and financial systems and then cutting over to the new systems to operate in South
19 Carolina. No existing customer's service will be discontinued or interrupted.
20 Frontier will use the same operational systems used by Verizon prior to closing to
21 provide service. In other words, Frontier's experience and the structure of the
22 transaction will avoid the problems those acquiring parties experienced.

1 This transaction also differs from the prior FairPoint and Hawaiian
2 Telcom transactions because, as described above, the transaction will significantly
3 deleverage Frontier's balance sheet. Frontier's debt-to-EBITDA ratio will drop
4 from 3.8 to 2.6. Given the conservatively capitalized nature of the combined
5 company following the transaction, Frontier's strong free cash flow, its
6 sustainable dividend payout rate, and its track record of successfully serving
7 customers in communities very comparable to those it is acquiring here, I am
8 confident that Frontier will not encounter financial problems like those faced by
9 FairPoint and Hawaiian Telcom.

10
11 **Q. Why is Frontier well positioned to acquire and effectively operate the**
12 **Verizon properties in South Carolina?**

13 A. Frontier's predominant business focus is delivering high quality wireline services
14 over its own networks in rural America, suburban markets and in smaller to mid-
15 sized communities. Within Frontier, wireline network investment in these areas
16 will not be competing for capital and management attention with a diverse array
17 of other delivery platforms, with global enterprise services, or with more
18 urbanized markets. Rather, Frontier's business plan depends on investing in and
19 providing efficient service to customers in smaller and mid-sized communities,
20 and it has implemented business practices, investment strategies, and customer
21 service initiatives designed for customers in these service areas. Customers in the
22 acquired areas will be a key strategic focus for Frontier and will benefit from

1 Frontier's track record of successfully providing high-quality service in areas it
2 serves.

3
4 **Q. Please discuss Frontier's ability to operate a telecommunications network of**
5 **the size and magnitude of the operations Frontier is proposing to acquire**
6 **from Verizon.**

7 A. From an engineering and network operations/planning standpoint, Frontier has
8 had experience acquiring, integrating, and improving the networks of other
9 telephone companies. Transferring Frontier's experience to date in acquiring,
10 improving, operating, and maintaining telecommunications networks to the assets
11 being acquired is a matter of scale and scope, not network technology.

12 Frontier has had experience in completing sizeable acquisitions of
13 telephone properties that were subsequently integrated with Frontier's existing
14 operations. Frontier more than doubled its size from approximately 1 million
15 access lines in 1999 to approximately 2.5 million access lines in 2001, primarily
16 through acquisitions. As noted above, in 2000 we purchased from Verizon/GTE
17 over 300,000 access lines in Minnesota, Illinois and Nebraska. In June 2001,
18 Frontier purchased all of Global Crossings' local exchange carriers, which served
19 approximately 1.1 million telephone access lines.

20 Frontier is an experienced operator of wireline facilities and has
21 substantial experience in integrating dispersed operations into a cohesive
22 business. Acquiring a company is only the first step - making the resulting larger
23 operation operate effectively is the key. We have grown through *successful*

1 acquisitions - through integrating companies into Frontier, through increasing
2 investment, service levels and offerings, and through having a significant local
3 presence in the communities we serve. Our experience has been extraordinarily
4 helpful as we undertake this acquisition. Our experience helped us to negotiate a
5 deal that makes sense for our customers in South Carolina, for Frontier, for
6 shareholders, and for the employees of both companies.

7

8 **Q. Please describe the process that Verizon and Frontier will use to ensure the**
9 **transfer of Verizon's customer service support systems to Frontier will be**
10 **seamless for customers in South Carolina.**

11 A. Verizon's existing systems are currently used to support customers in South
12 Carolina. These systems support retail ordering and billing, wholesale ordering
13 and billing, network monitoring and maintenance, and all customer support
14 functions. Prior to closing, Verizon will replicate and physically separate these
15 systems from the systems it will continue to use for its own operations after the
16 close. These separate, centralized systems will be dedicated to the operations
17 being acquired by Frontier.

18

19 **Q. Will Frontier have the ability to ensure that the systems are functioning**
20 **properly prior to closing?**

21 A. Yes. First, the companies will coordinate as Verizon undertakes the process of
22 replicating its existing systems. Verizon is required to keep Frontier updated,
23 engage in ongoing discussions regarding the process, and grant Frontier

1 reasonable rights of access. Moreover, Frontier will be able to validate and
2 confirm that the principal operating systems have been replicated properly in
3 advance of closing.

4

5 **Q. Have Verizon and Frontier designed the systems transition process so that**
6 **there are no operational disruptions?**

7 A. Yes. Upon closing, Frontier will use the same operational systems – ordering,
8 billing, etc. – that Verizon uses at closing to provide service in South Carolina.
9 Verizon will separate these systems prior to closing and Frontier will control fully
10 functional independent systems following the close. In other words, Frontier will
11 simply take over tested, functional operational systems. Frontier will then have
12 the option to use the systems for as long as it wishes. In addition, to further
13 ensure a smooth transition, Verizon will continue to provide system support for at
14 least a year after close, and Frontier may elect to continue to receive some or all
15 of the support from Verizon on an ongoing basis.

16

17 **Q. Will there be any overlap between the systems that remain with Verizon and**
18 **those that serve the areas Frontier is acquiring?**

19 A. After closing, the customer records and information for customers located in
20 South Carolina will be maintained on Frontier's systems, which will be
21 maintained independently from the systems Verizon retains and utilizes to provide
22 service in other states. Also, the parties have agreed that if all the necessary
23 hardware cannot be procured and installed in Frontier's data center by closing, it

1 will be made available from Verizon or a Verizon subsidiary for up to one year
2 following the closing to allow for transition, and such hardware shall thereafter be
3 transferred to Frontier.

4

5 **Q. Explain how Frontier's planned transition of the Verizon systems to Frontier**
6 **is different from a complex "cutover"?**

7 A. In situations where systems that have been used to support local exchange carrier
8 operations remain exclusively with the transferor, the acquiring party must
9 develop new, or modify existing systems to provide service to the customers after
10 the transaction is completed. Then the transferor and the acquiring party must
11 complete a cutover at a specific date/time, whereby the customer data and service
12 support functions are moved to the newly developed systems and the acquiring
13 party assumes responsibilities for providing service on an ongoing basis using
14 those systems. This scenario does not exist in South Carolina because Frontier
15 will be using substantially the same systems in place at Verizon prior to the
16 transaction and will have the advantage of employees experienced with those
17 systems who will continue with the business.

18

19 **F. THE PROPOSED TRANSACTION WILL NOT ADVERSELY IMPACT**
20 **COMPETITION**

21 **Q. Will the proposed transaction have any adverse impact on competition?**

22 A. No. None of the local exchanges being acquired by Frontier from Verizon overlap
23 with any of the local exchanges already served by Frontier. Frontier and Verizon

1 do not compete with one another in any of the affected exchanges as Frontier does
2 not operate local exchange facilities in South Carolina; therefore, the transaction
3 will not reduce the number of competitors. And as detailed above, Frontier plans
4 to work to stem line loss through a number of innovative services to enhance
5 competition in its markets. At the wholesale level, and explained in more detail
6 below with regard to continuing services, Frontier will honor or assume all
7 effective contracts and be governed by the same wholesale tariff provisions and
8 applicable Commission regulations governing wholesale relationships that govern
9 it today.

10
11 **Q. Will Frontier honor Verizon's existing wholesale obligations?**

12 A. Yes. Frontier will assume or honor all obligations under Verizon's current
13 interconnection agreements, wholesale tariffs, and other existing wholesale
14 arrangements in addition to complying with the statutory obligations applicable to
15 all ILECs. Specifically, Frontier will assume those interconnection agreements
16 between Verizon and other carriers that relate to service within the areas it is
17 acquiring from Verizon. Interconnection agreements of Verizon relating in part to
18 service outside of those states will need to be modified to apply to Frontier and
19 the other party in the respective states only, or those agreements will be replicated
20 by Frontier with respect to one or more of the affected states, following discussion
21 with and required notice to the affected parties. In the latter cases, however,
22 Frontier stands ready to put in place new interconnection agreements on
23 substantially the same terms and conditions, so as not to disrupt existing

1 arrangements. As a result, wholesale customers will receive the same benefits in the
2 aggregate following the transaction as those provided by Verizon prior to the
3 transaction.

4
5 **Q. Will wholesale interconnection operational support systems be impacted by the**
6 **transaction?**

7 A. No. Verizon and Frontier have in place a plan for smooth transition of OSS
8 systems and operations so that wholesale customers will not experience
9 disruptions in service, ordering, or billing. The same wholesale systems used by
10 Verizon prior to closing will be used by Frontier after closing. Thus, there will
11 not be a flash cut to a new system at close, and as a result, wholesale customers
12 should not experience disruptions in service. Wholesale customers – including
13 competitors – should continue to process orders in the same manner using the
14 same OSS arrangements they utilized prior to the transaction.

15

16 **VI. RELIEF REQUESTED**

17 **Q. Is New Communications of the Carolinas seeking the transfer or granting of**
18 **a CPCN for the Verizon South exchanges?**

19 A. Yes. It is my understanding that because Verizon South commenced operations
20 before June 16, 1950, it has been authorized to provide telephone service in its
21 territory without a CPCN. Verizon South has been subject to alternative
22 regulation pursuant to S.C. Code § 58-9-576 since October 2000. As explained
23 above, New Communications of the Carolinas will continue to provide

1 substantially the same services, service rates, and service terms and conditions to
2 the end-user local exchange customers previously served by Verizon South. New
3 Communications of the Carolinas thus will succeed Verizon South as the ILEC
4 for the exchanges in Verizon South's territory and Frontier therefore requests that
5 the Commission transfer Verizon South's authorization to provide local exchange
6 service in South Carolina to New Communications of the Carolinas, subject to
7 alternative regulation. Alternatively, Frontier requests that the Commission grant
8 New Communications of the Carolinas a CPCN to provide local exchange service
9 in the exchanges currently served by Verizon South, subject to alternative
10 regulation. Because the proposed transaction includes payphone assets, Frontier
11 also requests that the Commission transfer Verizon South's payphone CPCN
12 issued in Order No. 97-401, Docket No. 85-150-C, to New Communications of
13 the Carolinas.

14
15 **Q. Is New Communications of the Carolinas seeking designation as an Eligible**
16 **Telecommunications Carrier ("ETC") for the Verizon South exchanges?**

17 A. Yes. The Commission designated Verizon South as an Eligible
18 Telecommunications Carrier ("ETC") in Order No. 97-958. Because New
19 Communications of the Carolinas will continue to provide substantially the same
20 services, service rates, and service terms and conditions to the end-user local
21 exchange customers previously served by Verizon South, and will be the
22 successor ILEC for Verizon South's service territory, Frontier requests that New
23 Communications of the Carolinas be given the same ETC designation previously

1 granted to Verizon South. As the successor ILEC for Verizon South's service
2 territory, New Communications of the Carolinas will meet all federal and state
3 ETC requirements.

4

5 **Q. Please describe the relief being requested for Frontier to provide long**
6 **distance service.**

7 A. As set forth in the Joint Application, Frontier, Verizon New Communications of
8 the Carolinas, and/or New Communications Online and Long Distance Inc., also
9 request that the Commission grant New Communications Online and Long
10 Distance Inc., a CPCN to provide competitive interLATA and intraLATA resold
11 telecommunications (except local exchange services) throughout South Carolina,
12 subject to alternative regulation pursuant to S.C. Code § 58-9-585. This will
13 enable New Communications Online and Long Distance Inc., to conduct the long
14 distance business transferred to it by VLD and VES. Frontier also requests that
15 the requirements of S.C. Code § 58-3-230 be waived with respect to the transfer
16 of customers from VLD and VES to New Communications Online and Long
17 Distance Inc. New Communications Online and Long Distance Inc. will comply
18 with all federal and state requirements regarding the transfer of these customers.

19

20 **Q. Please summarize the other relief that is being requested.**

21 A. The parties further request that the Commission approve the proposed transaction
22 and to take such other measures as the Commission may deem necessary to
23 complete the proposed transaction described in the Joint Application.

1 **VII. CONCLUSION**

2 **Q. Please summarize why this transaction will cause no harm and thus is in the**
3 **public interest under the factors previously considered by the Commission.**

4 A. The proposed transaction will benefit South Carolina consumers. Frontier has a
5 proven track record of success in serving more than 2 million customers and the
6 managerial, technical and financial capability to successfully operate the Verizon
7 exchanges in South Carolina. The benefits of the proposed transaction include:

- 8
9 • Increasing broadband availability in South Carolina will be a business
10 imperative for Frontier both to provide an added revenue source and to
11 stem the rate of line losses to competitors. Frontier has a strong record of
12 deploying broadband in its markets. Frontier believes that through a
13 combination of investment and high-quality customer service, it can
14 increase broadband availability in South Carolina over time.
- 15
16 • Frontier will also bring to South Carolina its innovative customer service
17 programs options, such as its program to assist new subscribers of
18 broadband services by sending a technician to a customer's home to set up
19 service and ensure that consumers are comfortable navigating and using
20 High-Speed Internet services in the home. Frontier has also made
21 promotional offerings available to customers whereby the customer is
22 provided with a computer to access available broadband when the

1 customer signs up for Frontier telephone and High-Speed Internet
2 promotional offerings with a term commitment.

3
4 • The transaction will strengthen Frontier's balance sheet through a
5 substantial decrease in its leverage ratio, a 25% reduction in its
6 shareholder dividend and a reduced dividend payout ratio. This stronger
7 financial structure and increased cash flow will provide the financial
8 flexibility Frontier needs to access additional capital if necessary, and
9 make product and network investments in South Carolina it deems
10 necessary to improve its ability to compete, including in broadband
11 infrastructure.

12
13 • Frontier will honor existing tariffs and contracts. Existing customers will
14 continue to receive substantially the same intrastate regulated services on
15 the same terms and conditions under their existing tariffs. Frontier will
16 continue to provide services after the closing of the transaction without
17 any material reduction, impairment, or discontinuance of service to any
18 retail or wholesale customer. This will ensure that the transaction will be
19 largely transparent to current customers in South Carolina.

20
21 • The current regulation of the acquired operations will be unchanged by the
22 transaction. Following the transaction, Frontier will operate in
23 conformance with the Commission's relevant rules and regulations. The

1 Commission will retain the same regulatory authority over Frontier and
2 the acquired operations that it possessed prior to the consummation of the
3 transaction.

- 4
- 5 • There will be no adverse impact on competition or competitors as a result
6 of the proposed transaction. Frontier will honor all of Verizon's existing
7 interconnection and competitive obligations in South Carolina.
- 8

9 **Q. Does this conclude your direct testimony?**

10 **A.** Yes, thank you.

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2009-220-C

IN RE: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas, Inc., New CommunicationsOnline, and Long Distance, LLC, and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certificates

CERTIFICATE OF SERVICE

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I, the undersigned, an employee of Richardson, Plowden & Robinson, P. A., attorneys for Frontier Communications Corporation, do hereby certify that I have served the foregoing Direct Testimony by causing it to be deposited in the U.S. mail, postage prepaid, or by hand delivery, on this 16th day of July, 2009, to the following:

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